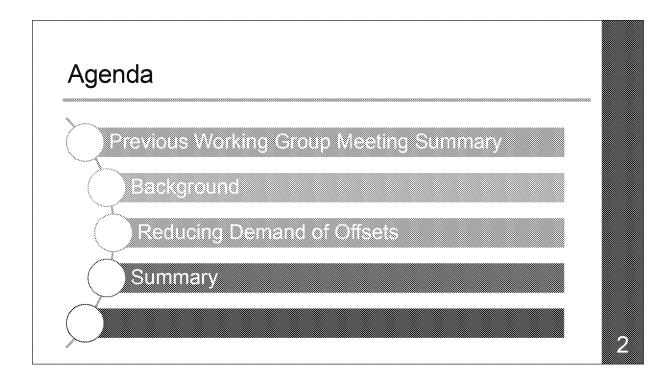


Regulation XIII – New Source Review

Date South Coast AQMD Call-in #: Passcode:



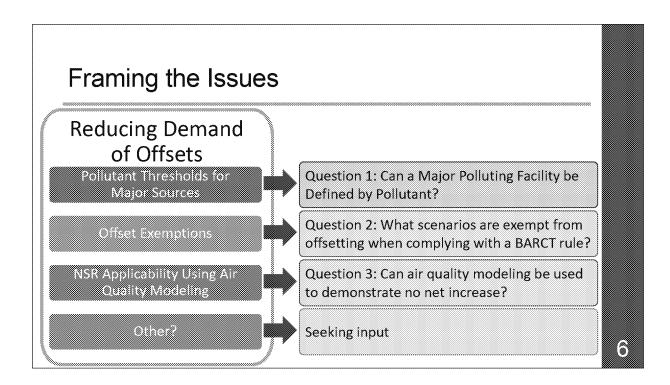
Previous Working Group Meeting Summary

*Recap of take away points from last working group meeting

- Supply of NOx offsets as RECLAIM facilities transition to command-and-control is a concern
- Availability of offsets are needed to ensure permits can be issued
- Evaluating a variety of areas to reduce the demand and increase supply of offsets
- Working within the regulatory framework of the:
 - * Federal Clean Air Act
 - SB288 which prohibits the South Coast AQMD from amending New Source Review rules or regulations to be less stringent than those that existed on December 30, 2002

Initial Concepts for Reducing Demand and Increasing Supply of Offsets **Reducing Demand Increasing Supply** of Offsets of Offsets Reimme BAROT Pallitian Thresholds for Discounting Methodology Major Salation Conversion of RTCs for ERCs Mobile Sources NSR Applicability Using App Inter-pollutant Trading Others

Other?



Question 1: Can a Major Polluting Facility be Defined by Pollutant?

* Background

- South Coast AQMD BACT Guidelines defines a major polluting facility¹ "If a threshold for <u>any</u> one criteria pollutant is equaled or exceeded, the facility is a major polluting facility"
- Rule 1302 definition of major polluting facility references a facility which emits or has the potential to emit above specific thresholds
- A facility may exceed the threshold for another pollutant besides NOx but is considered a major facility for NOx under the current BACT Guidelines

¹ Federal Clean Air Act uses major source or major stationary source in referencing a major polluting facility

Pollutant Thresholds for Major Polluting Facility

Politicant	South Coast Air Basin	Riverside County Portion of the Salton Sea	
VOC	10	25	100
NOx	10	25	100
SOx	70	70	100
CO	50	100	100
PM10	70	70	100
PM2.5	70		NO. 100 100

Discussion and Analysis

- Proposed revisions to NSR applicability to address NSR Reform and offset calculations are specific to major polluting facilities
- Defining a major polluting facility, based on each individual pollutant
 - Is a more accurate representation if a facility is a major polluting facility
- Not in conflict with the Federal Clean Air Act
- No impact to SB288 as existing New Source Review bases applicability and offsets for major source modifications on PTE-to-PTE

U.S. EPA Response to Question 1 : Can a Major Polluting Facility be Defined by Pollutant?

***** U.S. EPA's response

Notes from Face-to-Face:

 Need to check interpretations in staff reports and what thresholds were used in the maintenance plans

Recommendation

Recommendation for Question 1: Yes, a Major Polluting Facility can be defined by pollutant.

- Major polluting facility can be defined by pollutant
- No conflict with Federal Clean Air Act or SB288
- Will reduce the demand for offsets, as fewer modifications will be subject to applicability
- Provide additional clarity to Rule 1302 and revise South Coast AQMD BACT Guidelines to define a major polluting facility based on exceeding each individual pollutant threshold

Question 2: What scenarios are exempt from offsetting when complying with a BARCT rule?

Background

- Rule 1304 (c)(4) exempts a facility from offsetting if:
 - Source is installed or modified solely to comply with regulations provided there is no increase in maximum rating
- Federal Clean Air Act (CAA) 182 (e)(2) exempts offsetting in Extreme Areas for:
 - Modification of an existing source if such modification consists of installation of equipment required to comply with the applicable implementation plan, permit, or this chapter

Discussion and Analysis

- Exemption under Rule 1304 (c)(4) for offsets − no exemption for BACT
- ▼ Federal CAA 182 (e)(2) overlaps with Rule 1304 if scenarios qualify for offsetting exemption under federal CAA 182 (e)(2) no additional offsetting obligation
- Slight differences between Rule 1304 and federal CAA 182 (e)(2)
 - * Rule 1304 (c)(4) limits the exemption to the Notes from Face-to-Face. in maximum rating
 - Both Rule 1304 (c)(4) and CAA 182 (e)(2) installation of equipment
- Evaluated five scenarios that may qua offsets under Rule 1304 and CAÁ 182 (e)(2)

- EPA needed to confirm if offsets would be required for co-pollutants
- Although not explicitly stated in CAA, EPA interprets no increase in maximum
- rating/capacity as a requirement

Analysis of Rule 1304 (c)(4)

"The source is installed or modified"

 Can apply to replacement equipment or retrofit

Regulatory Compliance Comply with District, state, or federal air pollution control laws, rules, regulations or orders

Other <u>Limitations</u>

· No increase in maximum rating

Rule 1304(c)(4) – Regulatory Compliance

"The source is installed or modified solely to comply with District, state, or federal air pollution control laws, rules, regulations or orders, as approved by the Executive Officer or designee, and provided there is no increase in maximum rating."

Analysis of Federal CAA 182 (e)(2)

"modification of an existing source"

 Federal reference to "existing source" is an existing facility

"modification consists of installation of equipment"

- Can be interpreted as installation of pollution control equipment or replacement equipment (basic equipment)
- Regulatory Compliance
- Comply with applicable implementation plan, permit, or this chapter

Federal CAA 182 (e)(2) – Modifications

"The offset requirements of this part shall not be applicable in Extreme Areas to a modification of an existing source if such modification consists of installation of equipment required to comply with the applicable implementation plan, permit, or this chapter"

Analysis of CA Health & Safety Code §



 Federal reference to "existing source" is an existing facility

CA H&SC has a similar provision exempting offsets for regulatory compliance....



 Comply with applicable implementation plan, permit, or this chapter

CA H&SC §42301.2 – Offsetting exemption

"A district shall not require emission offsets for any emission increase at a source that results from the installation, operation, or other implementation of any emission control device or technique used to comply with a district, state, or federal emission control requirement, including, but not limited to, requirements for the use of reasonably available control technology or best available retrofit control technology, unless there is a modification that results in an increase in capacity of the unit being controlled."

Five Scenarios for Question 2

Scenario 1: What pollutants are exempt from offsetting when retrofitting equipment?

Scenario 2: Does a like-for-like replacement qualify for the offsetting exemption?

Scenario 3: Will the replacement of two ore more units with one unit qualify for the offsetting exemption?

Scenario 4: Will the replacement of one unit with two or more units qualify for the offsetting exemption?

Scenario 5: Will the replacement of two or more units with two or more units qualify for the offsetting exemption?

Scenario 1: What pollutants are exempt from offsetting when retrofitting equipment?

SCR is added to comply with the NOx limit in Rule 1146

Will an increase in PM emissions from SCR be exempt from offsets?

SCR is added to comply with South Coast AQMD rule Retrofit consistent with Rule 1304 (c)(4) and CAA 182(e)(2)

Recommendation: Co-pollutants associated with retrofitting a unit to comply with a South Coast AQMD ozone precursor rule are exempt from offsetting

Scenario 2: Does a like-for-like replacement qualify for the offsetting exemption?

Pacility replaces an existing boiler with a replacement boiler to comply with the NOx limit in Rule

if a unit is being replaced for the purpose of complying with a south Coast AQMD rule, is the replacement unit exempt from offsets.

Replacement at BACT no increase in capacity

Replacement is to comply with South Coast AQMD rule

Both Rule 1304 (c)[4) and CAA 182(a)[2]

Recommendation: One for one equipment replacement to comply with a South Coast AQMD ozone precursor rule, with no increase in capacity, is exempt from offsetting

Scenario 3: Will the replacement of two or more units with one unit qualify for the offsetting exemption?

Facility replaces two
existing small boilers
with one large
replacement boiler
to comply with the
NOx limit in Rule

If one unit replaces
two or more existing
units for the purpose
of complying with a
south Coast AGMD
rule, is the
replacement unit
exempt from offsets?

Replacement at

BACT, no increase in
total capacity

Replacement is to
comply with South
Coast ACIMD rule

Both Rule 1304 (c)(4)
and CAA 182(e)(2)
reference "install"

Recommendation: An individual piece of equipment replacing two or more units to comply with a South Coast AQMD ozone precursor rule, with no increase in total capacity, is exempt from offsetting

Scenario 4: Will the replacement of one unit with two or more units qualify for the offsetting exemption?

Facility replaces an existing boiler with two or more boilers to comply with the NOx limit in Rule

If a unit is being
replaced for the
purpose of
complying with a
south coast ACIMID
rule, are the
replacement units
exempt from offsets

Replacements at
BACT, no increase in
Initial capacity
Replacements are to
Comply with South
Coast AQMD rule
Both Rule 1304 (c)(4)
and CAA 182(e)(2)
references "install"

Recommendation: Two or more pieces of equipment that are replacing one unit to comply with a South Coast AQMD ozone precursor rule, with no increase in total capacity, are exempt from offsetting

Scenario 5: Will the replacement of two or more units with two or more units qualify for the offsetting exemption?

Facility replaces two or more boilers with two or more boilers to comply with the NOx limit in Rule

If units are being replaced for the purpose of complying with a south coast ACIMD rule, are the replacement units exempt from offsets?

Replacements at SACT, no increase in HACT, no increase in total capacity

Replacements are to comply with South Coast AOMD rule

Both Rule 1304 (c)(4) and CAA 182(e)(2) references finistall?

Recommendation: Two or more pieces of equipment that are replacing two or more units to comply with a South Coast AQMD ozone precursor rule, with no increase in total capacity, are exempt from offsetting

U.S. EPA Response to Question 2: What scenarios are exempt from offsetting when complying with a BARCT rule?

Notes from Face-to-Face:

- EPA needs to confirm with headquarters
- · Additional notes of replacements:
 - Replacements have to meet the criteria specified in CFR (no change in design parameters)
 - Life extension projects (circumvention of life extension)
 - Routine maintenance repair and replacement provision??
 - Determination of actual vs boiler place capacity (e.g. old equipment not capable of running at original rating due to deterioration)
 - Option if actual emissions at 80% could use boiler plate rating

Recommendations Five Scenarios for Question 2

Scenario 1° Co-pollutants associated with retrofitting a unit to comply with a South Coast AO MD grope precursor rule are exernal from offsetting

Scenario 2: One for one equipment replacement to comply with a South Coast AQMD excellence and on the within the reason of aparts, a comparing of the ting

Scenario 3: An individual piece of equ U.S. EPA (i.e. design South Coast AQMD ozone precursor r parameters) from offsetting

il capacity is exempt

Scenario 4: Two or more pieces of equipment that are replacing one unit to comply with a South Coast AQMD ozone precursor rule, with no increase in total capacity, are exempt from offsetting

Scenario 5. Two or more pieces of equipment that are replacing two or more units to comply with a South Coast AOMD ozone precursor rule, with no increase in total capacity. and continued to the first terms

Question 3: Can air quality m(• EPA needs to confirm with headquarters, but demonstrate no net increase?

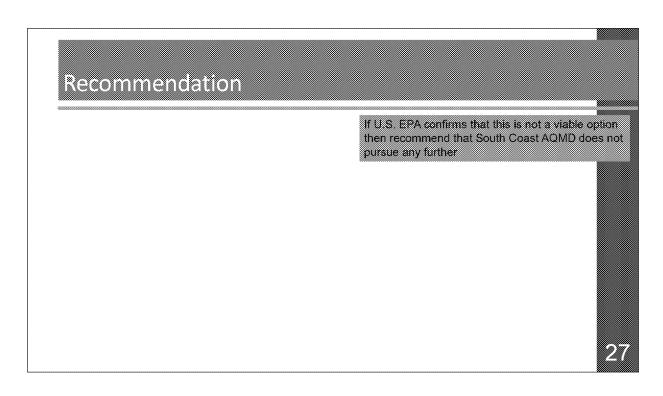
Notes from Face-to-Face:

- might not be a viable option
- Staff is evaluating the BACT applicability for co-pollutants emitted from the installations and modifications that are needed to comply with a South Coast AQMD rule
- Staff exploring potential options that would allow some flexibility for BACT for co-pollutants, such as:
 - * Accounting for co-benefits based on regional or local modeling (e.g., 0.4 pounds of PM reduced for every pound of NOx reduced)
 - Looking into the BACT thresholds for state and federal major
 - Focus is on installation of SCR and applicability of NSR for PM₁₀/PM_{2.5}
- Seeking input from U.S. EPA

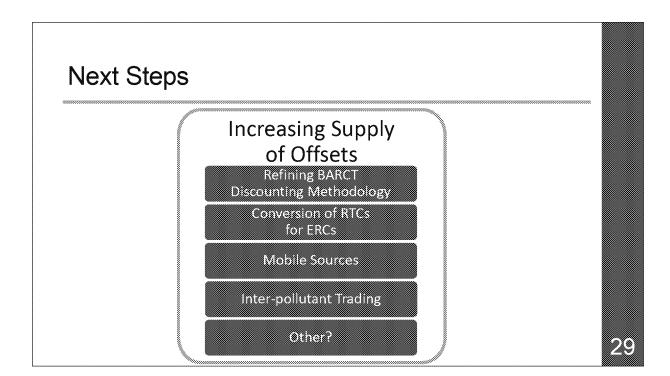
U.S. EPA Response to Question 3: Can air quality modeling be used to demonstrate no net increase?

Notes from Face-to-Face.

 EPA needs to confirm with headquarters, but might not be a viable option



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